

APPENDIX I.

DRAFT BYE-LAWS FOR DISTRICT LAND MORTGAGE BANKS.

THE.....DISTRICT LAND MORTGAGE ASSOCIATION.

Bye-Laws.

1. This Association shall be called the District Land Mortgage Bank.

2. The Office of the Bank shall be situated at (district headquarters).

3. The object of the Bank is to grant loans to members.

4. Loans may be given by the Bank only for the following purposes:—

- (i) Redemption of mortgage.
- (ii) Improvement of land or of methods of cultivation.

5. The liability of a member of this Bank shall be limited to the value of the shares held by him in the Association.

6. There shall be.....shares of the Bank of the value of Rs. 25 each.

7. Membership of the Bank is open to every subject of His Highness the Maharaja who has attained the age of majority, and is legally capable of entering into a contract, to several such persons jointly and to every registered co-operative institution formed for long term credit. Notwithstanding anything contained above, nominees or legal representatives of deceased members may be admitted as members although such nominees or legal representatives are minors.

8. Every member of the Bank must take at least one share and no member can own more than 100 shares in the Bank.

9. Shares are not withdrawable or transferable except with the sanction of the Bank provided that no member will be permitted to withdraw his shares within 10 years of the date on which such shares are taken by him and provided also that not more than 10 per cent of the aggregate share capital of the Bank at the beginning of a year is allowed to be withdrawn in any year.

10. The funds of the Bank shall include share capital, loans, deposits, *grants* and other miscellaneous items, but at no time shall the liabilities of the Association exceed ten times the subscribed share capital plus reserve fund.

11. The Board of Directors may receive deposits at their discretion either from members or others and it shall be open to them to settle the terms on which deposits shall be taken provided that the interest on such deposits shall not in any case exceed 6½ per cent per annum and provided also that no deposit shall be received for a period of less than two years.

12. The Bank shall not grant loans of an amount below Rs. 500 nor above Rs. 5,000 ordinarily provided that where a loan is granted to a co-operative society for the use of its members the amount of the loan may amount to 20,000 rupees.

13. Loans granted by the Bank shall bear interest at rates fixed from time to time but not exceeding—

- (1) a maximum of 9 per cent per annum in the case of long term loans, and
- (2) a maximum of 12 per cent on short term loans.

14. Long term loans granted by the Bank shall be repayable in equal yearly instalments not exceeding 25 and shall not be liable to be re-called except under conditions specified in Bye-Laws 21 and 22. Nothing in this bye-law shall be considered to preclude the borrower from repaying his loan wholly or in part at any earlier time.

15. The loan and the interest shall be discharged by a system of equated payments.

16. Loans shall be granted by the Bank only on the mortgage of immovable property in the.....district except in the case of short term loans which may on suitable security be granted for working expenses to members who have taken long term loans. Long term loans should be issued ordinarily out of share and debenture amounts and not out of deposits.

17. Loans granted by the Bank shall not exceed 50 per cent of the value of the property which is mortgaged to the Bank on account of those loans, provided that in case the loan is to be applied for the improvement of land the amount of loan may go up to 60 per cent.

18. The land mortgaged to the Bank as security under bye-law 17—shall have no prior encumbrances, save the mortgage or mortgages to be redeemed by the loan given by the Bank. Further, it shall not be made subject to any subsequent encumbrances either by way of further mortgages, sale, gift or otherwise to any one except the Bank and except with the previous sanction of the Board of Directors, and any encumbrance made in contravention of this bye-law shall be invalid.

19. The mortgage shall be without possession, subject to the condition that if the mortgagor fails to pay principal and interest according to his contract, the Bank shall be entitled to take possession of the land for such term not exceeding twenty years as the Board of Directors may consider equitable. During possession, the Bank will manage the property and after deducting expenses use the proceeds towards redemption of the debt.

20. The valuation of the properties offered as security for loans shall be made by the Bank in accordance with subsidiary rules to be framed in that behalf.

21. Loans are liable to be recalled.—

(1) if after the grant of a loan the information obtained regarding the property, the charges thereon or the rights of disposal thereof is found to be incorrect;

(2) if a loan is utilised for a purpose different from that for which it was granted;

(3) if the property on which it is secured has in the opinion of the Bank deteriorated in value and the borrower fails to furnish additional security to the satisfaction of the Bank;

(4) if on the death of the borrower or in the case of joint debtors on the death of any one of them his legal representative does not consent to continue as a Member;

(5) if for any other reason, the debtor or in the case of joint debtors any one of them ceases to be a Member;

(6) if the debtor makes default in the payment of any instalment on the due date.

22. If in any case not expressly provided for above, the Board of Directors consider that a debt is in danger, they shall recall the loan with the approval of the Registrar of Land Mortgage Banks.

23. When a loan recalled by the Board of Directors is not repaid within three months from the date of recall, the Directors shall apply for a foreclosure of the mortgage to the Registrar of Land Mortgage Banks who after notice to the defaulting debtor and necessary enquiry will have power to order such foreclosure. The Registrar may order distraint of movables in the case of short loans. These orders shall have the same effect and shall be executed in the same manner as if passed by a competent Civil Court.

24. Subject to bye-law 10 the Bank may raise loans from time to time by issue of debenture bonds bearing interest not exceeding 7 per cent per annum and liable to be redeemed at such period not exceeding 25 years as may be prescribed by the Bank.

25. Debenture bonds shall not be issued except with the previous sanction of the Government and they shall be in such form and contain such covenants and provisions as the Bank may, with the previous sanction of Government, prescribe in this behalf.

26. The Bank shall draw for redemption by lot as many debenture bonds as its financial condition permits, or if the Bank deems it preferable, it may repurchase its bonds instead of drawing them by lot.

27. The Bank shall be at liberty to effect a reduction in the rate of interest payable on any series of debenture bonds provided that option is given to the holders of such bonds to accept payment in cash at par value.

28. The Government shall appoint a trustee whose duty shall be to see that the Bank fulfils its obligations to the debenture-holders. For this purpose, the Bank shall transfer to the trustee its rights in the mortgages on the security of which debentures are issued. The trustee shall have power to require the Bank to credit to an account opened in his name, in such Bank as may be approved for the purpose by the Government, all recoveries made from members of the Bank under any of the mortgages whether on redemption or upon sale under any power of sale applicable thereto. He shall also have the following powers:—

(i) to invest or to require the Bank to invest the money at the credit of this account in his own name in any investment or deposit authorised by clauses (c) (b) and (d) of section 32 of the Mysore Co-operative Societies Regulation or in any other Securities approved by the Registrar of Land Mortgage Banks and to vary such investments at his discretion;

(ii) to require the Bank to redeem any or all of the debentures;

(iii) to determine the method of redeeming any debentures before the expiry of the term for which they were issued; and

- (iv) to proceed against the bank or the mortgagors whose mortgage deeds have been transferred to him or against both, in case of default of payment of moneys due to the debenture-holders.

The trustee can, at any time, be replaced by another trustee. A trustee so appointed shall, as the successor in interest of the trustee whom he replaces, inherit all his powers and rights.

29. The total value of debentures, actually in circulation at any time must not exceed the total value of the mortgage bonds and other assets assigned by the Bank to the trustee and held by him.

30. The administration of the Bank shall be vested in the following:—

- (1) Board of Directors;
- (2) Board of Supervision; and
- (3) The General body of the members of the Bank.

31. The ultimate authority in all matters relating to the administration of the Bank shall be the general body of the members who shall meet from time to time and at least once a year to conduct the work of the Bank. The following among other matters shall be dealt with by the general body:—

- (i) The election and removal of their representatives on the Board of Directors and the Board of Supervision;
- (ii) The annual report due to the Registrar of Land Mortgage Banks;
- (iii) The Registrar's annual audit order;
- (iv) The amendment or repeal of any existing bye-laws or the enactment of a new bye-law;
- (v) The expulsion of a member;
- (vi) The consideration of any complaint which any individual member may prefer against the Board of Directors or the Board of Supervision;
- (vii) The returns that may be prescribed by the Government.

32. A meeting of the general body of the members may be convened whenever necessary for the conduct of the business by the Board of Directors and shall be so convened by the Board of Directors at the request of 15 or more members or at the instance of the Registrar.

33. The Members of the Board of Directors and of the Board of Supervision will consist of Members of the Bank and representatives of Debenture Holders provided that the Government of His Highness the Maharaja of Mysore shall have the right to nominate two persons to the Board of Supervision and one to the Board of Directors, whether members of the Bank or representatives of Debenture Holders or others.

34. The Board of Directors shall consist of seven members four of whom shall be elected by the Members, two will be representatives of Debenture Holders selected by Government and one will be nominated by the Government of Mysore, all the Members holding office for a period of two years.

35. The Board of Supervision shall consist of seven members three of whom shall be elected by the members, two will be representatives of Debenture Holders selected by Government and two will be nominated by the Government of Mysore, all the Members holding office for a period of three years.

36. The Board of Directors shall administer and conduct the affairs of the Bank, prepare and issue agreements, declarations, etc., represent the Bank by one of its members selected for that purpose at all legal proceedings. It shall also appoint, control, and dismiss officials like book-keepers, cashiers, clerks, local agents, etc.

37. The Board of Supervision shall have general control and supervision over the affairs of the Bank. In particular it will—

- (1) cause the accounts of the Bank to be audited at least twice a year by two of its members;
- (2) present to the General Meeting a statement of accounts;
- (3) prepare all necessary subsidiary rules for the carrying out of these bye-laws;
- (4) settle the principles of land valuation;
- (5) authorise the issue by the Board of Management of mortgage bonds subject to the provisions of bye-law 25 and
- (6) decide appeals against the decisions of the Board of Directors.

38. Without prejudice to the powers which may be vested in him by the Law for the time being in force the Registrar of Land Mortgage Banks will have power—

- (1) to require the summoning of a General Meeting
- (2) to be present at the proceedings of the General meeting as well as at the meetings of the Board of Management and the Board of Supervision; and

- (3) to inspect the books and cash balance of the Bank at any time.
(4) to summon any member or office bearer of a Bank for the purpose of an enquiry into the affairs of the Bank. For this purpose he will act as a Court.

39. The previous sanction of the Government will be necessary for—

- (1) the issue of debentures;
- (2) the conversion of one class of debentures into another class bearing a different rate of interest or
- (3) the investment of collections made out of loans given to Members in fresh loans to Members.

40. The Deputy Commissioner of the District will have in respect of the affairs of the Bank the powers vested in the Registrar in Clauses 2 and 3 of bye-law 38.

41. The accounts of the Bank shall be audited at least once a year by a duly certified auditor or by an officer deputed by the Mysore Government.

42. All other matters concerning the organisation and the working of the Bank as well as the remuneration, if any, which the Board of Management, the Board of Supervision, the local agents and the auditors are to receive shall be fixed by Regulations to be framed by the Bank.

The Regulations shall require the approval of the Government of Mysore.

43. A Reserve Fund shall be formed by the Bank. To this shall be carried—

- (1) a sum not less than 10 per cent of the net profits of every year;
 - (2) the interest on the capital of this fund;
 - (3) amounts not claimed; and
 - (4) produce of drawn and expired mortgage bonds.
- (5) Any other fund which may be credited to the reserve fund by the general body of members.